
PUBLIC WORKS DEPARTMENT

DATE: May 31, 2018
TO: John Nachbar, City Manager
FROM: Charles D. Herbertson, Public Works Director/City Engineer
Sanjana Mada, Bicycle and Pedestrian Coordinators
SUBJECT: Bike Share Cost Update

On June 30th, 2017 a memo detailing estimated net costs (expenditure and revenue) of the Metro Bike Share program was presented, attached here. These numbers were based on the financial analysis done by our consultant, Sam Schwartz Engineering, for a system with 280 bicycles, and these numbers were confirmed by the Metro staff at the time.

Public Works has been working with Metro staff to develop a MOU, that outlines expenditure and revenue sharing with Metro and Culver City splitting capital costs equally, and operation and Maintenance (O&M) costs 35% and 65% respectively. Since the 2017 report, the capital and O&M costs have changed significantly.

REVISED CAPITAL AND O&M COSTS

The following table details the change in costs for Culver City from Sam Schwartz's original estimates. The system is intended to be launched in the winter. Therefore, the FY17/18 numbers detail the total costs before launching the program in December 2018, FY 18/19 details the costs for seven months after the launch, and FY 19/20 details the ongoing operation and maintenance costs for 12 months thereafter.

There is a decrease in total Capital costs (FY 18/19 and 19/20) by approximately \$165,217.00, and an increase in O&M costs by \$188,511 in FY18/19 and \$244,790.00 in FY19/20. During the first two years, there is an additional new one-time pre-launch O&M cost of \$264,886. Factoring this, there is a decrease in total costs in FY17/18 by \$16,383, but an increase in total costs in FY18/19 by \$304,548 and an increase by \$354,699 every year from FY 19/20. Metro has clarified that they are currently going through an audit process and these numbers may go slightly lower based on the outcome of the audit

| | Original cost FY 17/18 | New cost FY 17/18 | Original cost FY 18/19 | New cost FY 18/19 | Original Cost FY19/20 | New cost FY19/20 |
|-----------------------------------|---------------------------------------|----------------------------------|---------------------------------------|------------------------------|--------------------------------------|---------------------------------|
| Capital | 349,440 | 266,835 | 349,440 | 266,814 | - | - |
| Pre Launch O&M | - | 66,222 | - | 198,664 | - | - |
| O&M | - | - | 277,440 | 465,951 | 428,646 | 783,345 |
| Total | 349,440 | 333,057 | 626,881 | 931,429 | 428,646 | 783,345 |
| | Difference | -16,383 | Difference | +304,548 | Difference | +354,699 |

YEARLY O&M COSTS

The above numbers for FY 18/19 are based on a seven-month estimate. After FY18/19, Culver City will be spending up to \$783,345.00 each year for Operation and Maintenance costs. This is substantially higher than the previous O&M costs estimated for FY19/20 and onwards at \$428,646.00, an increase by \$354,699.00 per year.

Cost of O&M per bike will be approximately \$2797.65 per bicycle per year. As per the Los Angeles Department of Transportation's staff report to Los Angeles City Council, dated April 16th, 2018 the cost of O&M per bike per year for Los Angeles will be \$2,235. Metro has clarified that the difference is due to cost revisions, a result of Metro and BTS's ongoing contract negotiations initiated after Los Angeles City's report was drafted. The costs for Los Angeles will be updated accordingly.

REVENUE SOURCES

Currently, the city has \$960,000 available for bike share that was set aside in the FY17/18 budget as a part of the Capital Improvement Projects (CIP) Program. Based on the previous numbers given to us by our consultant, confirmed by Metro at that time, no additional funds were requested for bike share in the FY18/19 budget. As originally envisioned, Measure M money will be used to fund this program. The city received \$503, 876 for FY17/18 and \$553,414 for FY18/19 in Measure M funds. Both amounts are considerably lower than our yearly O&M requirements.

The above numbers are worst-case scenario estimates and can be partially offset by farebox recovery and sponsorships. As discussed with Metro, the farebox recovery costs will be equally split between Metro and the City. Metro is currently revising the MOU to accommodate this change. Assuming moderate farebox recovery at 13%, current average for the Metro bike-share system, the city will

receive approximately \$100,000 per year, thus lowering our net cost by the same amount.

Additionally, sponsorship can further reduce yearly O&M costs. Metro is currently working on getting title sponsorship but so far no title sponsor has been found. Title sponsorship revenue will be first applied towards Metro's share (35%) of O&M costs, and if the revenue exceeds that amount, it will be applied towards the City's share (65%) as dictated in the current MOU. Metro is currently considering a request from us to equally share sponsorship revenue.

As per Metro's new business plan, they are expanding non-title sponsorship options, allowing businesses to sponsor a part of the O&M costs or specific stations close to them. These sponsorship opportunities may be pursued by the city. It is currently unclear, as per Metro's new business plan, how revenue generated from this will be applied towards the city's and Metro's share of O&M costs. Metro has indicated that the terms of revenue sharing will have to be negotiated once there is an offer at hand.

CONSIDERATIONS

Metro's new business plan for their bike share system expansion provides considerable benefits for the city, with new reduced fares, TAP card integration, and expansion to neighboring Los Angeles communities like Palms and Mar Vista. Public Works staff will be working towards securing additional sponsorship to reduce the base O&M costs through business sponsorships and development mitigation fees. However, the increased O&M costs will have considerable implications for the city's yearly budget, considering the total Measure M funds available to us.

Attached: Memorandum to City Manager; Supplemental Bike Share Financial Analysis